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DEPARTMENT OF THE ARMY
UNITED STATES ARMY LEGAL SERVICES AGENCY
901 NORTH STUART STREET
ARLINGTON VA 22203-1837



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November 17, 2004

REPLY TO
ATTENTION OF
Regulatory Law Office
U 4102

Subject: In The Matter Of Qwest Corporation's Filing Of Renewed Price Regulation Plan.
Arizona Corporation Commission, Docket No. T-01051B-03-0454 and In The Matter Of The
Investigation Of The Cost Of Telecommunications Access. Arizona Corporation Commission,
Docket No. T-00000D00-672.

Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

NOV 18 2004

DOCKETED BY

Enclosed for filing with the Arizona Corporation Commission are the original and fifteen copies of the Direct Testimony of Richard B. Lee on behalf of the Department of Defense and All Other Federal Executive Agencies (DOD/FEA) in the subject proceedings. This Testimony is dated November 18, 2004 and includes three Attachments.

Copies of this Testimony have been served in accordance with the attached Certificate of Service. Inquiries concerning this matter may be directed to the undersigned at (703) 696-1644.

Sincerely,

Peter Q. Nyce Jr.
General Attorney
Regulatory Law Office

Enclosure

AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

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Chairman

WILLIAM A. MUNDELL

Commissioner

JEFF HATCH-MILLER

Commissioner

MIKE GLEASON

Commissioner

KRISTIN K. MAYES

Commissioner

IN THE MATTER OF QWEST) DOCKET NO. T-01051B-03-0454
CORPORATION'S FILING OF RENEWED)
PRICE REGULATION PLAN)
)
IN THE MATTER OF THE INVESTIGATION) DOCKET NO. T-00000D-00-0672
OF THE COST OF TELECOMMUNICATIONS)
ACCESS)

DIRECT TESTIMONY
of
RICHARD B. LEE

on behalf of

THE UNITED STATES DEPARTMENT OF DEFENSE
And
ALL OTHER FEDERAL EXECUTIVE AGENCIES

ROBERT N. KITTEL, CHIEF
Regulatory Law Office
Office of the Judge Advocate General
U.S. Army Litigation Center
901 N. Stuart Street, Suite 713
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by

Peter Q. Nyce, Jr.
General Attorney

November 18, 2004

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Richard B. Lee. I am Vice President of the economic consulting firm of Snavelly King Majoros O'Connor & Lee, Inc. ("Snavelly King"). My business address is 1220 L Street, N.W., Suite 410, Washington, D.C. 20005.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I earned a Bachelor of Science degree in Industrial Administration with High Honors from Yale University in 1961. I earned a Master of Business Administration degree with Distinction from the Harvard Business School in 1963.

Q. PLEASE DESCRIBE SNAVELY KING.

A. Snavelly King, formerly Snavelly, King & Associates, Inc., was founded in 1970 to conduct research on a consulting basis into the rates, revenues, costs and economic performance of regulated firms and industries. The firm has a professional staff of 13 economists, accountants, engineers and cost analysts. Most of its work involves the development, preparation and presentation of expert witness testimony before Federal and state regulatory agencies. Over the course of its 34-year history, members of the firm have participated in over 600 proceedings before almost all of the state commissions and all Federal commissions that regulate utilities or transportation industries.

Q. PLEASE DESCRIBE THE TYPE OF WORK YOU HAVE PERFORMED WHILE AT SNAVELY KING.

A. Since joining Snavelly King in 1991, I have assisted clients in proceedings before the

1 Federal Communications Commission ("FCC") related to a variety of matters.
2 Attachment 1 is a list of the FCC filings I have prepared on behalf of the General
3 Services Administration ("GSA"). The GSA represents the customer interests of the
4 Federal Executive Agencies in matters before the FCC.

5 I have also assisted clients in proceedings before twenty-eight state commissions
6 related to the telephone, cellular telephone and electric industries.

7 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY REGULATORY**
8 **PROCEEDINGS?**

9 A. Yes, I have. Attachment 2 is a list of my appearances before regulatory agencies on
10 behalf of various clients.

11 **Q. WHAT WAS YOUR EMPLOYMENT PRIOR TO JOINING SNAVELY KING?**

12 A. From 1980 to 1990, I was employed by American Telephone and Telegraph Company
13 ("AT&T") in its Federal Regulatory Affairs Division. As Regulatory Vice President -
14 Financial and Accounting Matters, I represented AT&T before the FCC in all financial
15 and accounting matters. In that capacity, I directed the preparation and presentation of all
16 AT&T Communications depreciation and revenue requirement filings before the FCC.
17 Prior to divestiture, I directed the preparation and presentation of all Bell Operating
18 Company ("BOC") depreciation filings and AT&T interstate revenue requirement filings
19 before the FCC.

20 **Q. WHAT WAS YOUR EMPLOYMENT HISTORY PRIOR TO 1980?**

21 A. From 1963 to 1980, I was employed by the New York Telephone Company. I held a

1 variety of progressively responsible positions leading to a position representing the
2 Company in accounting matters before the New York Public Service Commission. In
3 this capacity, I participated in a number of general rate cases and related proceedings.

4 My complete resume is attached as Attachment 3.

5 **Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?**

6 A. I am appearing on behalf of the customer interests of the United States Department of
7 Defense and all other Federal Executive Agencies ("DOD/FEA").

8 **Q. WHAT IS DOD/FEA'S INTEREST IN THIS PROCEEDING?**

9 A. DOD/FEA purchases large quantities of telecommunications service in Arizona. Indeed,
10 the 60,000 civilian and military employees of DOD/FEA in Arizona probably make
11 DOD/FEA the largest user of telecommunications services in the state.

12 Federal legislation, as well as good procurement policy, requires that Government
13 agencies procure supplies and services at the lowest prices in a manner that fosters the
14 introduction of new technologies. For this reason, DOD/FEA strongly supports the
15 Commission's effort to bring the benefits of competitive markets to consumers of all
16 telecommunications services.

17 Since Qwest Corporation ("Qwest") is the largest incumbent local exchange
18 carrier ("ILEC") in Arizona, its regulation and prices are of particular interest to
19 DOD/FEA. DOD/FEA participated actively in Docket No. T-01051B-99-105, which led
20 to the adoption of the price cap plan now in effect. DOD/FEA supported the current plan

1 in its December 2000 Brief,¹ and the Commission approved it in Decision 63487 on
2 March 30, 2001.

3 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT**
4 **SUPERVISION?**

5 **A.** Yes, it was.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 **A.** In this testimony I will recommend changes to the price cap plan proposed by Qwest in
8 its May 20, 2004, filing.

9
10 **II. LOCAL TELECOMMUNICATIONS COMPETITION HAS**
11 **INCREASED SIGNIFICANTLY IN ARIZONA SINCE THE**
12 **CURRENT PRICE CAP PLAN WAS APPROVED.**
13

14
15 **Q. HAS LOCAL TELECOMMUNICATIONS COMPETITION INCREASED IN**
16 **ARIZONA SINCE THE CURRENT PRICE CAP PLAN WAS APPROVED?**

17 **A.** Yes. Qwest witness David L. Teitzel documents the significant increase in local
18 telecommunications competition in Arizona since 2000. Qwest's retail access lines in
19 service decreased from 2,950,483 to 2,373,577 between December 2000 and December
20 2003.² This decrease of 576,906 lines represents a nearly 20 percent decline in Qwest's
21 retail lines. Mr. Teitzel attributes this decline to a significant increase in local
22 competition, which he documents in numerous Exhibits. Since Arizona is a high growth

¹ See, Brief of DOD/FEA, December 18, 2000.

² Teitzel Direct, at 5.

1 state with a robust economy, DOD/FEA agrees that competition has caused the significant
2 decline in Qwest's retail lines.

3 **Q. CAN MOST OF THIS DECREASE BE ATTRIBUTED TO AN INCREASE IN**
4 **THE USE OF QWEST FACILITIES BY COMPETITIVE LOCAL EXCHANGE**
5 **CARRIERS ("CLECS") TO SERVICE THEIR CUSTOMERS?**

6 **A.** No. Mr. Teitzel notes that the use of Qwest facilities by CLECs has increased from
7 59,797 to 222,299 lines from December 2000 to December 2003.³ This increase of
8 162,502 lines represents only 28 percent of Qwest's retail access lines loss. The balance
9 of those losses can be attributed to full facilities-based competition. This conclusion is
10 supported by the increase during this period of Qwest interconnection agreements from
11 65 to 118, and Local Interconnection Trunks from 120,242 to 188,744.⁴ In particular, as
12 Mr. Teitzel documents at length, Cox Communications ("Cox") has proven to be a
13 significant facilities-based competitor in areas in which it provides cable TV service.⁵

14
15 **III. THE CURRENT PRICE CAP PLAN SHOULD BE MODIFIED**

16
17 **Q. DO YOU BELIEVE THE INCREASE IN LOCAL TELECOMMUNICATIONS**
18 **COMPETITION IN ARIZONA SHOULD RESULT IN MODIFICATIONS TO**

³ Id., at 4-5 (Sum of Stand-Alone Unbundled Loops, UNE-P Loops, and Wholesale Resold Lines).

⁴ Id.

⁵ Id., at 7-8 and 10-20.

1 **THE CURRENT PRICE CAP PLAN?**

2 A. Yes, I do. As local competition increases, it acts as a constraint on the market power of
3 Qwest. For Qwest to remain a viable company it must respond rapidly and effectively to
4 the competition it faces.

5 In general, DOD/FEA believes that the price cap modifications Qwest has
6 proposed will provide it the pricing flexibility it requires in the more competitive
7 environment it now faces. I will, however, recommend certain changes to Qwest's
8 proposals as discusses below.

9 The current and proposed price cap plans divide Qwest services into three
10 "baskets", as follows:

11 Basket 1 - Basic/Essential Non-Competitive (Retail) Services

12 Basket 2 - Wholesale Services

13 Basket 3 - Flexibly-Priced Competitive (Retail) Services

14 I will address Qwest's proposals for each basket in turn.

15
16 **IV. CHANGES TO BASKET 1**

17
18 Q. **WHAT MODIFICATIONS DOES QWEST PROPOSE TO THE PRICE CAP**
19 **PLAN FOR BASKET 1?**

20 A. Qwest proposes to replace the current productivity/inflation indexing method for Basket

1 1 with a basket-level revenue cap.⁶ Under Qwest's plan, revenue neutral filings for
2 services would be allowed with notice to the Commission. The existing "hard-cap" on
3 certain basic services would be eliminated.

4 Qwest also proposes that it be allowed to move services from Basket 1 to Basket
5 3 upon a showing that telephone services are competitive in a specific geographic
6 relevant market area (i.e., a "competitive zone").⁷ Qwest has proposed to define its
7 competitive zones on a wire center or smaller basis, with the zone being defined by the
8 geographic area in which a facilities-based, UNE-based, or resale competitor is marketing
9 or offering service.

10 **Q. ARE QWEST'S PROPOSALS REASONABLE IN LIGHT OF THE INCREASED**
11 **COMPETITION IT NOW FACES?**

12 **A.** In general, yes. I believe, however, that certain changes to Qwest's proposals are
13 appropriate.

14 **Q. WHAT CHANGES DO YOU RECOMMEND WITH RESPECT TO THE**
15 **REPLACEMENT OF THE CURRENT PRODUCTIVITY/INFLATION**
16 **INDEXING METHOD FOR BASKET 1 WITH A BASKET-LEVEL REVENUE**
17 **CAP?**

18 **A.** DOD/FEA believes that the local telecommunications market will eventually become

⁶ Revised Price Cap Plan, at 1; Direct Testimony of David L. Ziegler, at 8-9; Direct Testimony of Harry M. Shooshan III, at 3 and 7-12.

⁷ Revised Price Cap Plan, at 1-2; Ziegler Direct, at 9-10; Shooshan Direct, at 12-16.

1 fully competitive. It is generally believed that in a fully competitive market, the prices
2 for services are driven towards their costs. As competition increases for basic/essential
3 services, it is important that Qwest be given the opportunity to adjust its prices to better
4 reflect its costs.

5 I am concerned, however, that unfettered pricing flexibility within Basket 1 could
6 result in sharp price increases for some services causing "rate shock" to individual
7 customers. To allow Qwest's customers the opportunity to adjust to changing price
8 levels, I recommend that the increase in price for any service be limited to 10 percent in a
9 given year. I see no need to limit price decreases for any services. I believe this modest
10 change will allow Qwest to bring its prices in line with costs in a manner which will not
11 unreasonably impact its customers.

12 I also recommend that the price cap plan specifically state that the Basket 1
13 revenue cap will be decreased appropriately when services are moved from Basket 1 to
14 Basket 3.

15 **Q. WHAT CHANGES DO YOU RECOMMEND WITH RESPECT TO QWEST'S**
16 **PROPOSAL CONCERNING COMPETITIVE ZONES?**

17 **A.** While I agree with the concept of competitive zones, I believe the transfer of
18 basic/essential services to Basket 3 should only be approved when there is clear evidence
19 of permanent, effective competition in the zone under consideration. I recommend that
20 such a transfer only be approved when one or more facilities-based competitors can be
21 shown to be offering service throughout the zone and actually providing service to a

1 significant number of customers (e.g. 5 percent). Given the dependence on Qwest of
2 UNE-based and resale CLECs, and their relatively little capital investment in a zone, I do
3 not believe they should be considered in the determination of competitive zone eligibility.

4 Moreover, I recommend that the competitive zone evaluation be determined
5 separately for residence and business services. While cable TV companies, such as COX,
6 provide effective competition in the residence market by bundling their telephone service
7 with cable TV and internet services, they provide little effective competition in the
8 business market. Conversely, most wireline CLECs focus their facilities-based efforts on
9 business customers. The combining of residential and business competitive zone
10 determinations would undoubtedly result in the transfer of basic/essential business
11 services to Basket 3 when effective competition exists for only residence services, and
12 vice versa. The separate determination of competitive zones for residence and business
13 would ensure that Qwest enjoys full pricing flexibility in fully competitive markets, but
14 not where competition is not yet effective.

15
16 **V. CHANGES TO BASKET 2**

17
18 **Q. WHAT MODIFICATIONS DOES QWEST PROPOSE TO THE PRICE CAP**
19 **PLAN FOR BASKET 2?**

20 **A.** Qwest proposes to eliminate the provision in the current plan designed to bring intrastate

1 switched access rates to parity with interstate access rates over time.⁸ Although Qwest
2 has supported this objective in the past, it considers it now advisable to "wait and see"
3 what new plan the Federal Communications Commission implements with respect to
4 interstate switched access rates.⁹

5 **Q. DO YOU AGREE WITH QWEST'S POSITION CONCERNING SWITCHED**
6 **ACCESS RATES?**

7 A. No. If and when the FCC adopts a change to intercarrier compensation, it will
8 undoubtedly result in a further reduction of interstate access rates. There is nothing to be
9 gained by a further delay in bringing intrastate access rates at least to current interstate
10 rate levels.

11 On the other hand, I agree with Qwest witness Ziegler that this change should be
12 on a revenue neutral basis, with switched access rate reductions offset by an appropriate
13 end-user charge.¹⁰ To minimize rate shock, I recommend that this change be
14 accomplished in two steps, with half of the difference in rates effective upon
15 implementation of the revised price cap plan and full parity a year later.

16
17 **VI. CHANGES TO BASKET 3**
18

⁸ Revised Price Cap Plan, at 2; Ziegler Direct, at 14-15; Direct Testimony of Scott A. McIntyre, at 14-16.

⁹ McIntyre Direct, at 15.

¹⁰ Ziegler Direct, at 14-15.

1 Q. WHAT MODIFICATIONS DOES QWEST PROPOSE TO THE CURRENT
2 PRICE CAP PLAN FOR BASKET 3?

3 A. Qwest proposes the elimination of the revenue cap on Basket 3 services.¹¹ Qwest also
4 proposes that Basket 3 service be subject to the same regulatory requirements as CLEC
5 services.¹² New services and packages would be automatically classified as Basket 3
6 services, and Qwest would be provided the same promotional flexibility as CLECs.

7 Q. DO YOU AGREE WITH QWEST'S PROPOSALS FOR BASKET 3?

8 A. Yes. The classification of services to Basket 3 should only occur when competition is
9 effective. Once competition is effective, the imposition of more stringent restraints on
10 Qwest than on CLECs is inequitable and harmful to full and open competition.

11
12 VII. CONCLUSION

13
14 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

15 A. Yes, it does.
16

¹¹ Revised Price Cap Plan, at 2-3; Ziegler Direct, at 10-11; Shooshan Direct, at 16-17.

¹² Revised Price Cap Plan, at 3-4; Ziegler Direct, at 11; Shooshan Direct at 17; Tietzel Direct, at 69-81.

RICHARD B. LEE

FCC FILINGS ON BEHALF OF GENERAL SERVICES ADMINISTRATION

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 87-568	AT&T Communications Revisions to Tariff FCC No. 12	Reply	3/25/91
CC Docket No. 91-141	Expanded Interconnection with Local Telephone Company Facilities	Comments Reply Reply Comments Reply Comments Reply	8/6/91 9/20/91 12/10/91 1/14/93 2/19/93 4/2/93 4/30/93
DA 91-698	New York Telephone Co. Petition for Waiver of Part 61.49(g) of the Commission's Rules	Comments Reply	8/9/91 9/9/91
CC Docket No. 89-79	Amend. of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture	Comments	8/26/91 9/25/91 10/2/91
CC Docket No. 87-313	Policy and Rules Concerning Rates for Dominant Carriers	Comments Reply Reply	8/26/91 9/25/91 10/2/91

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 91-213	Transport Rate Structure and Pricing	Comments Reply Comments Reply	11/22/91 1/22/91 2/1/93 3/19/93
Petition	ONA Access Charge Tariff Filings	Petition to Suspend	11/26/91
DA 91-1452	Federal-State Joint Conference on ONA Staff Report on Uniform Tariffing Guidelines for ONA Services	Comments Reply	12/20/91 1/21/92
CC Docket No. 91-346	Intelligent Networks	Reply Comments Reply	4/6/92 11/1/93 12/1/93
CC Docket No. 92-133	Amend. of Parts 65 and 69 of the Commission's Rules to Reform the Interstate Rate of Return Represcription and Enforcement Processes	Comments Reply	9/11/92 10/13/92
CC Docket No. 92-91	ONA Tariffs of Bell Operating Companies	Comments	10/16/92
CC Docket No. 92-222	Amendment of the Part 69 Allocation of General Support Facility Costs	Comments Reply	12/4/92 12/18/92
CC Docket No. 92-256	Application of ONA and Nondiscrimination Safeguards to GTE Corporation	Comments Reply	2/1/93 3/24/93

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 92-296	Simplification of the Depreciation Prescription Process	Reply	4/13/93
		Reply	1/21/94
		Reply	12/14/94
DA 93-481	Ameritech's Petition for Declaratory Ruling and Related Waivers to Establish a New Regulatory Model for the Ameritech Region	Reply	7/12/93
DA 93-687	Rochester Telephone Corp. Petition for Waivers of Part 61 Tariff Rules and Part 69 Access Charge Rules to Implement Its Open Market Plan	Comments Reply	7/19/93 8/9/93
CC Docket No. 91-273	Amendment of Part 63 of the Commission's Rules to Provide for Notifications by Common Carriers NYNEX Transition Plan to Preserve Universal Service in a Competitive Environment	Comments Reply Reply	1/21/94 2/22/94 3/2/94
DA 93-1537			
Petition	Petition for Declaratory Ruling Assigning an N11 Dialing Code for use by the Public in Gaining Access to the Services of the Federal Executive Agencies	Petition	3/11/94

PROCEEDING

SUBJECT

TYPE

DATE

CC Docket No. 94-1

Price Cap Performance Review for Local Exchange Carriers

Comments
Reply

5/9/94

Comments

6/29/94

Comments

1/31/95

Comments

4/17/95

Comments

10/27/95

Reply

11/20/95

Comments

12/18/95

Reply

3/1/96

CC Docket No. 94-54

Equal Access and Interconnection Obligations Pertaining to Commercial Mobile Radio Services

Comments

8/30/94

Reply

10/13/94

IAD File No. 94-101

Requests of Federal Agencies and Others for the Assignment of N11 Codes

Reply

9/23/94

CC Docket No. 80-286

Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board

Reply

12/2/94

Comments

9/12/95

Reply

11/9/95

CC Docket No. 92-237

Administration of the North American Numbering Plan

Nomination

8/7/95

Application

9/12/95

CC Docket No. 95-115

Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public

Comments

9/27/95

Reply

11/13/95

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 95-155	Toll Free Service Access Codes	Comments Reply	11/1/95 11/20/95
CCB-IAD 95-110	Telecommunications Access Provider Survey	Comments Reply	12/11/95 1/16/96
CC Docket No. 87-124	Access to Telecommunications Equipment and Services by Persons With Disabilities	Comments Reply	1/12/96 2/29/96
AAD 96-28	Rate of Return Inquiry	Comments Reply	3/11/96 4/15/96
CS Docket No. 96-46	Implementation of Section 302 of the Telecommunications Act of 1996	Comments Reply	4/1/96 4/11/96
CC Docket No. 96-45	Federal-State Joint Board on Universal Service	Comments Reply Comments	4/12/96 5/7/96 10/17/97
CC Docket No. 96-61	Policy and Rules Concerning the Interstate, Interexchange Marketplace	Reply	5/3/96
CC Docket No. 96-98	Implementation of the Local Competition Provisions in the Telecommunications Act of 1996	Comments Reply	5/16/96 6/3/96

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 96-112	Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services	Comments Reply	5/28/96 6/12/96
CC Docket No. 96-150	Accounting Safeguards Under the Telecommunications Act of 1996	Comments Reply	8/26/96 9/10/96
CC Docket No. 91-141 CCB-IAD File No. 98-102	Local Competition Survey	Comments Reply	6/8/98 6/22/98
CC Docket No. 98-81	1998 Biennial Regulatory Review - Review of Accounting and Cost Allocation Requirements	Reply	9/4/98
CC Docket No. 98-117	1998 Biennial Regulatory Review Review of ARMIS Reporting Requirements	Reply	9/4/98
CC Docket No. 98-166	Prescribing the Authorized Unitary Rate of Return for Interstate Services of Local Exchange Carriers	Comments	1/19/99 3/16/99
CC Docket No. 96-45 CC Docket No. 97-160	Federal-State Joint Board on Universal Service Forward-Looking Mechanism for High Cost Support for Non-Rural LECs	Comments Reply	7/23/99 8/6/99
CC Docket No. 98-147	Deployment of Wireline Services Offering Advanced Telecommunications Capability	Comments	9/24/99

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 98-137	1998 Biennial Regulatory Review - Review of Depreciation Requirements for Incumbent Local Exchange Carriers	Comments Reply	4/17/00 4/28/00
-----	Biennial Regulatory Review 2000	Comments Reply	10/10/00 10/20/00
CC Docket No. 00-199	2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3	Comments Reply Comments Reply Comments Reply Comments	12/21/00 1/30/01 2/13/01 3/14/01 7/16/01 7/26/01 4/8/02
File No. ASD-01-20	Application for Review of Responsible Accounting Officer Letter 31, Cost Allocation Manual Audit Requirements for Large Local Exchange Carriers	Comments Reply	3/28/01 4/9/01
CC Docket No. 99-301	Local Competition and Broadband Reporting	Reply	4/2/01
CC Docket No. 80-286	Jurisdictional Separations Reform and Referral to the Federal-State Joint Board	Comments Reply	7/20/01 8/6/01
CC Docket No. 01-337	Review of Regulatory Requirements for Incumbent LEC Broadband Telecommunications Services	Reply	4/22/02

PROCEEDING

WC Docket No. 92-80

SUBJECT

Winstar Communications, LLC Emergency Petition
for Declaratory Ruling Regarding ILEC Obligations
to Continue Providing Service

TYPE

Comments

DATE

4/29/02

11/16/04

RICHARD B. LEE

APPEARANCES BEFORE REGULATORY AGENCIES

<u>JURIS.</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
CA	Federal Executive Agencies	All LECs	I.87-11-033 Phase III	IntraLATA Competition	Direct Reply	9/23/91 10/2/91	10/7/91 10/7/91
CA	Federal Executive Agencies	All LECs	I.87-11-033 Phase III	Rate Design	Direct Reply Suppl.	12/16/91 1/17/92 4/18/92	4/28/92 4/28/92 4/28/92
CO	Federal Executive Agencies	All LECs	92R-050T	Interconnection	Direct	8/20/92	8/31/92
WV	Consumer Advocate Division of WV PSC	C&P	90-424-T-PC	Cost Allocation	Direct Reply	10/6/92 12/18/92	1/14/93 1/14/93
CA	Federal Executive Agencies	Pacific Bell	A.92-05-004	Incentive Regulation	Direct Reply	4/8/93 5/5/93	6/9/93 6/9/93
DC	Federal Executive Agencies	C&P	926	Productivity	Direct	7/30/93	10/7/93

Attachment 2
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<u>JURIS.</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASES</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
NJ	Federal Executive Agencies	All LECs	TX90050349 TE92111047 TE93060211	IntraLATA Competition	Direct Reply	4/5/94 4/25/94	-- --
CT	Federal Executive Agencies	Cellular Carriers	94-03-27	Financial Performance	Direct	--	6/7/94
NY	Federal Executive Agencies	Niagara Mohawk	94-E-0098 94-E-0099 94-G-0100	Incentive Regulation	Direct	8/31/94	10/26/94
DC	DC Office Of People's Counsel	Pepco	939	Productivity	Direct	1/17/95	3/17/95
GA	GA Public Service Commission	Southern Bell	5503-U	Cost Allocation	Direct Reply	1/27/95 4/14/95	2/14/95 4/25/95
HI	Federal Executive Agencies	GTE Hawaiian	94-0298	Rate Case	Direct	5/7/96	--
CANADA	AT&T Canada	Stentor Companies	96-8	Depreciation	Direct	8/27/96	11/5/96

Attachment 2
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<u>JURIS.</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
NJ	AT&T	Bell Atlantic	T096070519	Depreciation	Direct	9/18/96	10/3/96
MA	AT&T	New England Telephone	DPU96-80/81	Depreciation	Direct	10/11/96	--
NY	AT&T	New York Telephone	95-C-0657 94-C-0095 91-C-1174	Depreciation	Rebuttal	10/15/96	11/8/96
VA	AT&T	GTE	PUC960117	Depreciation	Direct	10/30/96	--
NJ	AT&T	All LECs	TX95120631	Depreciation	Direct	11/1/96	1/24/97
					Rebuttal	12/20/96	1/24/97
PA	AT&T/MCI	Bell Atlantic	A-310203F0002	Depreciation	Rebuttal	1/13/97	1/28/97
					Direct	2/7/97	2/25/97
					Surrebuttal	2/21/97	2/25/97
DE	AT&T/MCI	Bell Atlantic	96-324	Depreciation	Rebuttal	2/4/97	2/18/97
WY	AT&T	U S West	7200-TF-96-95 7000-TF-96-319	Depreciation	Direct	2/5/97	2/12/97

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<u>JURIS.</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
WV	AT&T	Bell Atlantic	96-1516-T-PC 96-1561-T-PC 96-1009-T-PC 96-1533-T-T	Depreciation	Direct Rebuttal	2/13/97 2/20/97	2/27/97 2/27/97
MD	AT&T/MCI	Bell Atlantic	8731, Phase II	Depreciation	Direct	3/7/97	4/14/97
UT	AT&T/MCI	U S West	94-999-01	Depreciation	Direct Rebuttal Surrebuttal Sup. Surr.	3/19/97 3/31/97 4/23/97 5/2/97	5/13/97 5/13/97 5/13/97 5/13/97
DC	AT&T/MCI	Bell Atlantic	962	Depreciation	Direct Rebuttal	3/24/97 5/2/97	6/11/97 6/11/97
VA	AT&T/MCI	Bell Atlantic	970005	Depreciation	Affidavit Direct Rebuttal	4/7/97 4/23/97 6/10/97	6/27/97 6/27/97 6/27/97
HI	Federal Executive Agencies	GTE	7702	Depreciation	Direct Reply	7/03/97 8/28/97	10/22/97 10/22/97
LA	AT&T/MCI	Bell South	22022/22093	Depreciation	Direct	8/25/97	9/16/97
FCC	AT&T	Bell Atlantic	E-97	Depreciation	Affidavit	9/29/97	--

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<u>JURIS.</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
ME	AT&T	Bell Atlantic	96-781	Depreciation	Direct Surrebuttal	9/15/97 12/22/97	1/20/98 1/20/98
TENN	AT&T/MCI	Bell South	97-01262	Depreciation	Direct	10/10/97 10/17/97	2/25/98 2/25/98
VT	AT&T	Bell Atlantic	5713	Depreciation	Direct Surrebuttal	10/30/97 12/4/97	12/11/97 12/11/97
KY	AT&T/MCI	BellSouth, GTE, CBT	360	Depreciation	Reply	11/4/97	--
PA	AT&T	GTE	A-310125F002 GTEN-11	Depreciation	Direct	11/13/97	--
NC	AT&T/MCI	BellSouth, GTE, Sprint	P-100, SUB133b	Depreciation	Direct	12/10/97 1/30/98	--
NC	AT&T/MCI	BellSouth, GTE, Sprint	P-100, SUB133d	Depreciation	Direct	12/15/97 3/9/98	--
OHIO	AT&T/MCI	CBT	96-899-TP-ALT	Depreciation	Direct Reply	12/17/97 12/23/98	3/22/99 3/22/99
LA	AT&T/MCI	BellSouth	U-20883 Subdocket A	Depreciation	Direct Reply	1/9/98 1/20/98	--

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<u>JURIS.</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
OK	AT&T	SBC	970000213 970000442	Depreciation	Direct	1/12/98	--
MISS	AT&T	BellSouth	97-AD-544	Depreciation	Direct Reply	1/28/98 3/13/98	--
MISS	AT&T	BellSouth	98-AD-035	Depreciation	Direct Reply	2/23/98 3/6/98	--
TENN	AT&T	BellSouth, GTE, Sprint	9700888	Depreciation	Direct Reply	3/18/98 3/25/98	--
RI	AT&T	Bell Atlantic	2681	Depreciation	Direct Surrebuttal	6/30/98 12/11/98	1/7/99
AZ	Federal Executive Agencies	U S West	T-01051B- 97-0689	Depreciation	Direct Suppl Surrebuttal Comments Suppl Direct Reply	7/13/98 7/15/98 8/17/98 10/30/98 4/2/99 2/7/00 2/22/00	11/13/98 11/13/98 11/13/98 11/13/98 4/27/99 2/28/00 2/28/00

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<u>JURIS.</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
MICH	Michigan Cable Television Association	All	U-11016	Affiliate Transactions	Direct Reply	5/27/98 7/1/99	7/29/99 7/29/99
HI	Federal Executive Agencies	GTE	7702	Collocation and Nonrecurring Charges	Direct	6/2/00	--
NY	AT&TWorldCom	Bell Atlantic	98-C-1357	Depreciation	Reply Rebuttal	6/26/00 10/19/00	-- --
AZ	Federal Executive Agencies	Qwest	T-01051B- 99-0105	Revenue Requirements	Direct Surrebuttal Direct	7/25/00 9/8/00 11/13/00	12/1/00 12/1/00 12/1/00
MA	AT&TWorldCom	Verizon	D.T.E. 01-20	Depreciation	Direct Rebuttal Surrebuttal	5/8/01 7/18/01 12/17/01	1/8/02
MD	AT&TWorldCom	Verizon	8879	Depreciation	Direct Rebuttal Surrebuttal	5/25/01 9/5/01 10/15/01	--
VA	AT&TWorldCom	Verizon	FCC 00-218 FCC 00-249 FCC 00-251	Depreciation	Direct Rebuttal Surrebuttal	7/31/01 8/27/01 9/21/01	10/23/01

Experience

**Snively King Majoros O'Connor
& Lee, Inc.
Washington, DC**

***Vice President (1996 to Present)
Senior Consultant (1991 to 1995)***

Mr. Lee provides consulting services that reflect his depth of experience with regulated utilities. For over a quarter of a century, he has been extensively involved in regulatory financial and accounting matters.

Mr. Lee has provided expert witness testimony, technical assistance and strategic support to clients in state commission proceedings related to the telephone, cellular telephone and electric industries. His testimony has addressed such matters as competition, interconnection, incentive regulation, rate design, cost allocation, depreciation, productivity, and overall financial performance. Mr. Lee has also conducted a cost allocation and affiliate transaction audit of a major telephone company on behalf of its state commission.

Mr. Lee has assisted clients in proceedings before the Federal Communications Commission (FCC) related to competition, interconnection, universal service, incentive regulation, accounting, cost allocation, reporting, depreciation, and advanced services. Mr. Lee also performed a study on plant writedowns in the U.S. telecommunications industry on behalf of the Canadian Radio-Television and Telecommunications Commission.

AT&T, Basking Ridge, NJ

***Regulatory Vice President (1988-1990)
Division Manager (1980-1988)***

Mr. Lee represented AT&T before the FCC in all financial and accounting matters. In this capacity, he directed the preparation of all financially related AT&T filings and coordinated the analysis of commission and intervenor responses. In addition, he was responsible for the periodic review of AT&T financial operating results and the development of related capital and expense forecasts.

Mr. Lee directed the design and implementation of AT&T's automated system for the reporting of financial information to the FCC. He also was responsible for the implementation of AT&T's manual for the separation of regulated and unregulated costs and the conversion of the company to the revised Uniform System of Accounts.

His responsibilities included liaison with the FCC's audit staff and coordination of their activities with respect to AT&T. During his tenure, Mr. Lee brought scores of FCC investigations involving many billions of dollars to equitable conclusions.

Mr. Lee participated in the strategic development of price cap incentive regulation proposals and performed numerous related financial analyses. He also conceived and developed a methodology which reduced the administrative burden of AT&T's depreciation filings by over 90%.

Prior to divestiture, Mr. Lee coordinated all Bell System depreciation filings, rate of return pleadings and interstate rate cases. He was responsible for securing FCC approval of the accounting entries which implemented the Modified Final Judgment.

**New York Telephone Company
New York, NY**

***District Manager (1970-1980)
Accounting Manager (1963-1970)***

Mr. Lee held a variety of progressively responsible positions leading to his selection as the Company's accounting representative before the New York Public Service Commission. In this capacity, he participated in numerous general rate cases and related proceedings.

In an earlier assignment, Mr. Lee directed an inter-departmental study of the company's "Lost Telephone Set" problem. The study resulted in both operational improvements and major strategy changes by the company.

While in a rotational assignment to AT&T, Mr. Lee developed a cost accounting and productivity measurement system that was implemented in all Bell System Comptrollers Departments.

Mr. Lee also managed numerous line organizations of up to 200 persons responsible for billing and collection, property and cost and data processing functions.

Education

***Yale University, B.S. (High Honors)
Harvard Business School, MBA (Distinction)***

Professional Affiliations

Society of Depreciation Professionals

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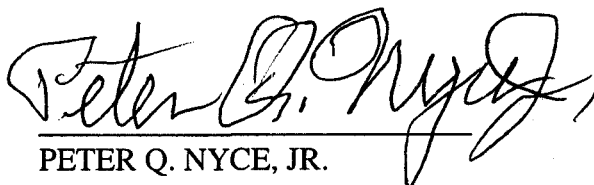
<u>STATE</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
CA	Federal Executive Agencies	SBC-Pacific	A01-20-024	Depreciation	Direct Direct Reply Rebuttal	9/19/01 10/18/02 2/7/03 3/12/03	--
PA	AT&T/WorldCom	Verizon	R-00016683	Depreciation	Direct Rebuttal Surrebuttal	12/7/01 1/11/02 2/8/02	--
AZ	Federal Executive Agencies	Qwest	T-01051B-02-0666	Directory	Rebuttal Rejoinder	3/4/03 5/9/03	--
CA	Federal Executive Agencies	Verizon	R93-04-003	Depreciation	Direct Reply	11/3/03 8/6/04	
FCC	AT&T	All LECs	WC 03-173	Depreciation	Direct Reply	12/16/03 1/30/04	--
CA	Federal Executive Agencies	SBC, Verizon	R 95-04-043	Mass Market Switching UNE	Reply	1/16/04	2/10/04
NJ	AT&T	Verizon	T000060356	Depreciation	Reply	1/23/04	2/17/04
TX	Federal Executive Agencies	SBC	28607	Mass Market Switching UNE	Reply	3/19/04	4/6/04

10/15/04

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Direct Testimony of Richard B. Lee on behalf of the United States Department of Defense and All Other Federal Executive Agencies was sent to the parties on the attached service list either by United Parcel Service - Next Day Air, or by first class mail, postage prepaid on November 17, 2004.

Dated at Arlington County, Virginia, on this 17th Day of November 2004.


PETER Q. NYCE, JR.